

PH&N Inflation-Linked Bond Fund

Investment Objective

The fundamental investment objective of the Fund is to generate interest income that is hedged against inflation by investing primarily in real return bonds and inflationlinked bonds issued or guaranteed by Canadian and foreign governments and corporations.

Fund Details

Series	Load Structure	Currency	Fund Code
F	No Load	CAD	RBF5650

Inception Date	June 2009
Total Fund Assets \$Mil	89.2
Series F NAV \$	11.38
Series F MER %	0.38
Benchmark	FTSE TMX Canada Real Return Bond Index

Income Distribution	Quarterly
Capital Gains Distribution	Annually

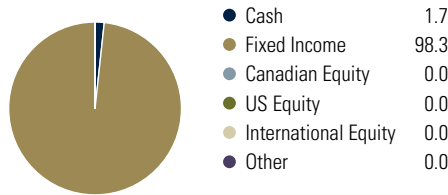
Sales Status	Open
Min. Investment \$	500
Subsequent Investment \$	25

Fund Category	Canadian Inflation Protected Fixed Income
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Management Company	RBC Global Asset Management Inc.
Web Site	www.rbcgam.com

Portfolio Analysis as of May 31, 2017

Asset Mix



Fixed Income Breakdown

Fixed Income Category	% Fixed Income
Government Bonds	96.6
Corporate Bonds	0.7
Other Bonds	0.0
Mortgage Backed Securities	0.0
ST Investments (Cash & Other)	2.7
Asset Backed Securities	0.0

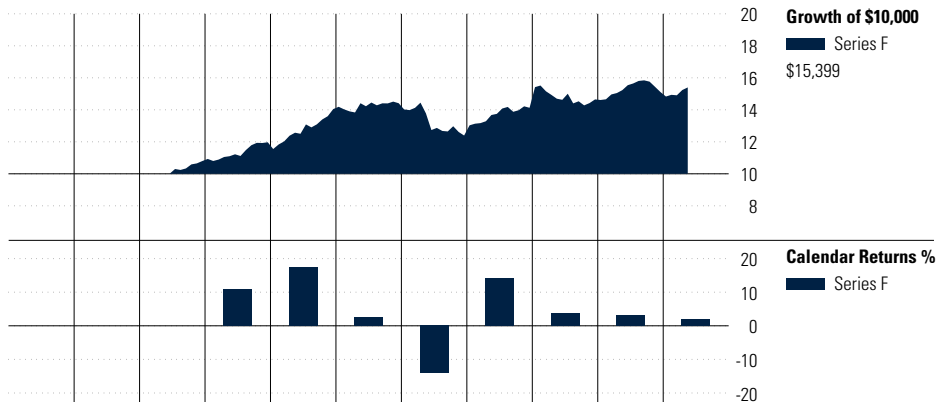
Bond Rating	%	Term to Maturity	%
Cash / Cash Equiv.	2.7	Under 1 year	2.7
AAA	86.2	1 - 5 Yrs	13.6
AA	4.3	5 - 10 Yrs	2.4
A	6.1	Over 10 Yrs	81.3
BBB	0.7		
Below BBB	0.0	Avg. Term to maturity (Yrs)	17.9
Mortgages	—	Duration (Yrs)	15.0
NR/NA	0.0	Yield to Maturity	1.8

Geographic Allocations	% Assets
Canada	100.0
United States	0.0
International (ex-Emerging Markets)	0.0
Emerging Markets	0.0

Top 10 Holdings

Top 10 Holdings	% Assets
Canada Govt 4% 01-12-2031	33.7
Canada Govt 4.25% 01-12-2021	12.9
Canada Govt 1.5% 01-12-2044	10.9
Canada Govt 2% 01-12-2041	10.8
Canada Govt 1.25% 01-12-2047	7.4
Canada Govt 0.5% 01-12-2050	6.0
Canada Govt 3% 01-12-2036	5.3
Ontario Prov Cda 2% 01-12-2036	4.3
Quebec Prov Cda 4.25% 01-12-2031	2.9
Quebec Prov Cda 4.5% 01-12-2026	2.4
Total % of Top 10 Holdings	96.6
Total Number of Stock Holdings	0
Total Number of Bond Holdings	16
Total Number of Other Holdings	1
Total Number of Holdings	17

Performance Analysis as of May 31, 2017



Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD	Fund Quartile
Return	—	—	—	10.9	17.3	2.6	-14.0	14.0	3.7	3.1	1.9	1st
Rank	—	—	—	1st	2nd	2nd	3rd	1st	1st	1st	1st	1st

Period	1 Mth	3 Mth	6 Mth	1 Yr	3 Yr	5 Yr	10 Yr	Since Incep.	Trailing Return %
Return	1.1	3.1	-0.2	1.1	4.0	1.3	—	5.6	Fund
Rank	2nd	1st	1st	1st	1st	1st	—	—	Quartile
No. of Funds in Category	28	28	28	27	23	18	10	—	No. of Funds in Category

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Management Overview

Manager Bios

PH&N Fixed Income Team

With one of the largest bond desks in Canada consisting of over 30 investment professionals, Phillips, Hager & North Investment Management (PH&N IM) has been managing bonds since 1970 and currently manages fixed income portfolios according to strict quality and diversification guidelines. PH&N IM's strengths as a bond manager are directly related to its depth of resources – both people and technology – dedicated to the management of fixed income portfolios.

Performance Analysis Cont'd as of May 31, 2017

Distributions (\$)/Unit	YTD*	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Distributions	0.14	0.20	0.27	0.68	0.61	0.54	0.48	0.57	0.06	—	—
Interest	0.14	0.20	0.27	0.68	0.61	0.54	0.48	0.33	0.05	—	—
Dividends	—	—	—	—	—	—	—	—	—	—	—
Capital Gains	—	—	—	—	—	—	—	0.24	0.01	—	—
Return Of Capital	—	—	—	—	—	—	—	—	—	—	—

Best/Worst Periods %	Ended	1 Yr	Ended	3 Yr	Ended	5 Yr	Ended	10 Yr
Best	1-2012	22.9	6-2012	12.5	2-2015	7.5	—	—
Worst	12-2013	-14.0	10-2015	-0.3	1-2017	0.9	—	—
Average		5.7		4.6		4.5		—
No. of Periods		84		60		36		—
Pct. Positive		77.4		96.7		100.0		—

* Distributions are characterized into income type at year-end.

Quarterly Commentary as at March 31, 2017

For the second consecutive quarter, the Fund delivered negative performance, albeit more modest than in the final quarter of 2016.

This is the result of a continued upwards migration in real yields, which have been inching up since historic lows (near zero per cent) were reached last September. Real yields are influenced by many of the same economic factors that drive nominal yields, such as employment, manufacturing and consumer sentiment, which have all shown resilience recently. The difference, however, is that real yields, by definition, are designed to deliver a higher level of return with higher levels of inflation (and vice-versa). Canadian inflation moved up over the quarter, going from 1.5% to 2.0%, the middle of the Bank of Canada's target band. This helped the absolute performance of the Fund, and partially offset negative effects of rising real yield levels.

With no strong view on the absolute direction of real rates over the quarter, we focused the Fund's strategies on pockets of "inefficiencies" in the imperfect real return bond market. These strategies included trades between the various maturities of real return bonds (RRBs) when mispricings appeared and the tactical use of nominal bonds when inflation expectations appeared heightened. Focusing on these strategies resulted in modestly positive performance over the quarter.

The Fund also has a small allocation to Provincial and corporate RRBs to enhance yield, although these positions are constrained by a lack of supply in these sectors. With the Fund's real yield at approximately 0.5% – low by historical standards – the Fund remains susceptible to further negative performance if real rates continue to rise.

PH&N Inflation-Linked Bond Fund

Disclosure

RBC Funds, BlueBay Funds, PH&N Funds and RBC Corporate Class Funds are offered by RBC Global Asset Management Inc. and distributed through authorized dealers.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus or Fund Facts document before investing. Except as otherwise noted, the indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any unitholder that would have reduced returns. Mutual fund securities are not guaranteed or covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that the fund will be able to maintain its net asset value per unit at a constant amount or that the full amount of your investment in the fund will be returned to you. The value of mutual funds change frequently and past performance may not be repeated.

Phillips, Hager & North Investment Management (PH&N IM) is a division of RBC Global Asset Management Inc. (RBC GAM). RBC GAM is the fund manager and the principal portfolio adviser of PH&N Funds. The principal distributor of PH&N Funds is Phillips, Hager & North Investment Funds Ltd. (PH&NIF), which uses the trade name PH&N Investment Services. RBC GAM is an indirect, wholly-owned subsidiary of Royal Bank of Canada.

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MER (%) for RBC Funds and PH&N Funds is based on actual expenses for the full-year period, January 1 to December 31, 2016, expressed on an annualized basis.

MER (%) for RBC Corporate Class Funds is based on actual expenses for the full-year period, April 1, 2017 to March 31, 2017, expressed on an annualized basis.

Adjusted MER is provided for funds with management fee changes effective June 30, 2016. The Adjusted MER represents what the reported MER would have been had management fee changes been in effect throughout 2016.

Series H and Series I are not available for purchase by new investors. Existing investors who hold Series H or Series I units can continue to make additional investments into the same series of the funds they hold.

PH&N Funds Series A formerly known as Series C.

Graphs are only used to illustrate the effects of the compound growth rate and do not reflect future values of any fund or returns on investment of any fund.

The fund profile is provided for informational purposes only. Particular investments and/or trading strategies should be evaluated relative to each individual's investment objectives. The information contained in the fund profile is not, and should not be construed as, investment or tax advice. You should not act or rely on the information contained in the fund profile without seeking the advice of an appropriate professional advisor.

Quartile rankings are determined by Morningstar Research Inc., an independent research firm, based on categories maintained by the Canadian Investment Funds Standards Committee (CIFSC). Quartile rankings are comparisons of the performance of a fund to other funds in a particular category and are subject to change monthly. The quartiles divide the data into four equal segments expressed in terms of rank (1, 2, 3 or 4). This is the Morningstar quartile ranking of Series A and F units of the Fund as of May 31, 2017.

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